

**CALIFORNIA AIR RESOURCES BOARD
EMERGENCY HEARING NOTICE**

**REQUEST BY CHEVRON PRODUCTS COMPANY FOR AN
EMERGENCY VARIANCE UNDER THE CALIFORNIA
REFORMULATED GASOLINE REGULATIONS**

A public hearing will be conducted at the time and place noted below to consider an application of Chevron Products Company (Chevron) for an emergency variance under the California reformulated gasoline (CaRFG) regulations administered by the California Air Resources Board (ARB).

Date: July 14, 1999

Time: 3:00 p.m.

Place: Executive Conference Room, Fourth Floor
2020 L Street
Sacramento, California 95814

Although persons wishing to participate in the hearing are urged to attend in person, arrangements have been made for teleconference connections by persons unable to be physically present. To reach the teleconference, dial 1 (888) 232-0370. The participants' code is 445625.

The regulations: The CaRFG regulations are contained in sections 2260-2272 of Title 13, California Code of Regulations. They establish a comprehensive set of specifications for gasoline designed to achieve the maximum reductions in emissions of criteria pollutants and toxic air contaminants from gasoline-powered motor vehicles. The specifications cover sulfur, benzene, olefin, oxygen, and aromatic hydrocarbon contents, 50 percent (T50) and 90 percent (T90) distillation temperatures, and Reid vapor pressure (RVP). The CaRFG standards include "cap" limits that apply to finished gasoline throughout the California gasoline distribution system. The standards also include generally more stringent "refinery" limits that apply to gasoline when it is first supplied from a production facility (typically a refinery) or an import facility. The CaRFG standards have been applied since 1996.

The emergency variance application: At 3:30 p.m. on July 13, 1999, the ARB received a five page application from Chevron, seeking a 45-day emergency variance from the CaRFG standards for a total of 3,500,000 barrels of gasoline, equal to about 77,800 barrels per day (bpd). The following is a summary of the application.

A March 25, 1999 explosion and fire in the hydroprocessing complex of Chevron's Richmond refinery severely damaged and rendered inoperable the refinery's Fluid Catalytic Cracker (FCC) feed hydrotreating and hydrocracking units. Following these events, Chevron has been able to maintain about 85% of normal operation at the refinery.

On Friday, July 9, 1999, a leak developed in a steam generator in the operating FCC at the Richmond refinery, and the unit was shut down. On Saturday, July 10, 1999, an explosion took place in the FCC electrostatic precipitator, leaving it severely damaged and rendering the FCC completely inoperable. These events were unforeseeable and beyond Chevron's reasonable control. Initial repair estimates range from several weeks for 50% precipitator operation to several months for full operation. With both the FCC and the hydrocracking units now out of commission and no feed being produced for the alkylation unit, gasoline component production in the Richmond refinery is limited to just straight run gasoline derived from the crude unit, reformate, and a few other minor streams from other units still operating. These remaining streams enable Chevron to produce about 30,000 bpd of CaRFG at the Richmond refinery using the California Predictive Model — a shortfall of about 80,000 bpd from normal operations.

The application states that Chevron has made all possible means of acquiring complying CaRFG or the necessary gasoline components for immediate delivery, but there does not appear to be any additional CaRFG that can be obtained and delivered to Chevron for several weeks. Chevron has obtained supplies of CaRFG that will begin arriving in California at the end of July and continuing into August, and the purpose of the variance is thus to cover shortfalls for the next three to four weeks and to replenish inventory. Without immediate relief, Chevron would have to reduce deliveries of gasoline to all of its Northern California customers my mid-next week.

Chevron would continue to blend, buy, and sell as much complying CaRFG as it can during the variance period, and would be motivated to do so by the required \$.15 per gallon variance fee described below. Chevron would accept the condition that variance gasoline be sold only in areas of Northern California outside areas where federal RFG is required, and that the RVP not exceed 7.8 pounds per square inch. Chevron would also commit that variance gasoline meets current ASTM D4814 specifications applicable in Portland, Oregon.

Requirements for variances: Section 2271 of title 13, California Code of Regulations, authorizes the ARB's Executive Officer to issue variances from the CaRFG regulations. A variance allows the variance recipient to temporarily supply gasoline that does not comply with one or more of the CaRFG standards. Upon a showing of unreasonable extraordinary hardship and good cause, an emergency variance may be issued following an emergency hearing conducted on less than the otherwise-required 20-days' notice. The ARB regulation requires that all variances — including emergency variances — must be conditioned on the recipient's payment of a fee of \$.15 per gallon to the "High Polluter Repair or Removal Account." The fee requirement was established in January 1996 to implement Health and Safety Code section 43013.2, enacted by the Legislature in 1995 (SB 709). The fee is designed to assure that the variance recipient does not have a competitive advantage over persons producing complying gasoline, and that the recipient has first made good faith efforts to acquire complying gasoline in the marketplace. The length of an emergency variance may not exceed 45 days.

Hearing procedures: The hearing will be conducted by a hearing officer designated by the ARB's Executive Officer. At the hearing, the applicant will be asked to present evidence demonstrating that the criteria for granting an emergency variance have been met. Interested members of the public will be allowed a reasonable opportunity to testify at the hearing. All parties may, but are not required to, be represented by counsel. After the hearing, the hearing officer will make a recommendation to the Executive Officer on whether, and under what conditions, a variance should be granted. The Executive Officer will make the final decision on the variance request.

Further information: For further information, please contact Criteria Pollutants Branch Chief Dean C. Simeroth at (916) 322-6020. Legal questions should be directed to Senior Staff Counsel Thomas Jennings at (916) 323-9608. Information on participation in the hearing may be obtained from Richard Vincent at (916) 327-5977.

CALIFORNIA AIR RESOURCES BOARD

Donald J. Ames, Assistant Chief
Stationary Source Division

Date: July 13, 1999